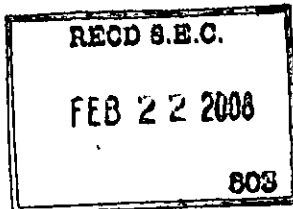




08025463



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

Washington, DC
FEB 22 2008
106

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 66433

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Stern Capital LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

570 Lexington Avenue, Suite 301

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

OFFICIAL USE ONLY

FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Lawrence Stern212-832-1200

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marx, Lange, Gutterman LLP

(Name - if individual, state last, first, middle name)

1430 Broadway

(Address)

New York

(City)

NY

(State)

10018

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED**MAR 05 2008****THOMSON
FINANCIAL****FOR OFFICIAL USE ONLY**

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Lawrence Stern, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stern Capital LLC, as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

RICHARD D. JACOBSON
Notary Public, State of New York
No. 02JA5041562
Qualified in New York County
Commission Expires April 10, 2011

Richard D. Jacobson
Notary Public

[Signature]
Signature

President
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**STERN CAPITAL LLC
REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
REPORT ON INTERNAL CONTROL
DECEMBER 31, 2007**

INDEPENDENT AUDITORS' REPORT


Board of Directors and Member of
Stern Capital LLC and Subsidiary

We have audited the accompanying consolidated statement of financial condition of Stern Capital LLC and Subsidiary (the "Company") as of December 31, 2007, and the related consolidated statements of income, changes in member's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stern Capital LLC and Subsidiary as of December 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


New York, New York
February 12, 2008

STERN CAPITAL LLC
Consolidated Statement of Financial Condition
December 31, 2007

ASSETS

Cash and cash equivalents	\$ 135,297
Fees receivable	137,851
Prepaid expenses and other assets	26,822

Total assets	\$ 299,970
---------------------	-------------------

LIABILITIES AND MEMBER'S EQUITY

Accrued expenses and other liabilities	\$ 106,723
Member's equity	193,247

Total liabilities and member's equity	\$ 299,970
--	-------------------

The accompanying notes are an integral part of these financial statements.

STERN CAPITAL LLC

Consolidated Statement of Income and Changes in Member's Equity
Year Ended December 31, 2007

Revenues	
Fee income	\$ 657,527
Miscellaneous	37,647
Interest income	10,104
<hr/>	
Total revenues	705,278
<hr/>	
Expenses	
Commissions	150,433
Professional fees	44,629
Administrative overhead	24,000
Communications	11,082
Regulatory fees	7,691
Other operating expenses	35,963
<hr/>	
Total expenses	273,798
<hr/>	
Net income	431,480
Member's equity, January 1, 2007	86,767
Member's contributions	15,000
Member's distributions	(340,000)
<hr/>	
Member's equity, December 31, 2007	\$ 193,247

The accompanying notes are an integral part of these financial statements.

STERN CAPITAL LLC
Consolidated Statement of Cash Flows
Year Ended December 31, 2007

Cash flows from operating activities:	
Net income	\$ 431,480
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization	628
Changes in operating assets and liabilities:	
Increase in fees receivable	(96,138)
Decrease in prepaid expenses and other assets	(5,027)
Decrease in accrued expenses and other liabilities	(35,295)
Net cash provided by operating activities	295,648
Cash flows from financing activities:	
Member's contributions	15,000
Member's distributions	(340,000)
Net cash used by financing activities	(325,000)
Net decrease in cash and cash equivalents	(29,352)
Cash and cash equivalents, beginning of year	164,649
Cash and cash equivalents, end of year	\$ 135,297

The accompanying notes are an integral part of these financial statements.

STERN CAPITAL LLC
Notes to the Consolidated Financial Statements
Year Ended December 31, 2007

1. **Organization and Nature of Business**

Stern Capital LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company earns commissions and fees from insurance companies and asset management firms for the implementation of private placement variable annuity life insurance contracts and the rendering of consulting services.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Stern Capital LTD. All material intercompany balances and transactions have been eliminated in consolidation.

Stern Capital LTD was formed on September 5, 2007 under the laws of Bermuda. Stern Capital LTD, an unregulated entity, earns fees from insurance companies and asset management firms for the implementation of private placement variable annuity life insurance contracts with foreign investors.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The Company recognizes fee income and related expenses when services provided are substantially completed.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company and subsidiary consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

The Company and subsidiary maintain cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company and subsidiary have not experienced any losses in such accounts and believe it is not exposed to any credit risk.

STERN CAPITAL LLC
Notes to the Consolidated Financial Statements
Year Ended December 31, 2007

2. **Summary of Significant Accounting Policies (continued)**

Income Taxes

No provision has been made in the accompanying consolidated financial statements for liabilities for federal, state or local income taxes since such liabilities are the responsibility of the member.

3. **Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$25,367, which was \$18,252 in excess of its required net capital of \$7,115. The Company's net capital ratio was 4.21 to 1.

4. **Related Party**

The Company has entered into an agreement with an affiliate related through common ownership for administrative expenses. The amount of \$24,000 has been charged to the consolidated financial statements for the year ended December 31, 2007.

Supplemental Information

SCHEDULE I

STERN CAPITAL LLC
Computation of Net Capital
Under Rule 15c3-1 of the Securities and Exchange Commission
December 31, 2007

NET CAPITAL

Total consolidated member's equity as of December 31, 2007	\$ 193,247
---	-------------------

Deductions and/or charges

Restricted cash	50,000
Fees receivable	91,058
Prepaid expenses and other assets	26,822

Total deductions and/or charges	167,880
--	----------------

Net capital	\$ 25,367
--------------------	------------------

Minimum net capital required (greater of 6 2/3% of A.I. or \$5,000)	\$ 7,115
--	-----------------

Excess net capital	\$ 18,252
---------------------------	------------------

Total aggregate indebtedness (A.I.)	\$ 106,723
--	-------------------

Ratio of aggregate indebtedness to net capital	4.21 : 1
---	-----------------

Reconciliation between the above computation of audited Net Capital of the Company as of December 31, 2007 and the computation included in the Company's corresponding unaudited from X-17A-5 Part IIA filing as of December 31, 2007

Net capital as reported in the Company's (unaudited) FOCUS report	\$ 57,742
--	------------------

Adjustments to:

Cash	(29)
Fees receivable	46,793
Accrued expenses and other liabilities	(79,139)

Net capital	\$ 25,367
--------------------	------------------

See independent auditors' report.

SCHEDULE II

STERN CAPITAL LLC

**Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2007**

The Company claims exemption from the requirements of Rule 15c3-3, under section (k) (2) (i) of the rule.

See independent auditors' report.

**Supplementary Report
Of Independent Auditors**



**Supplementary Report of Independent Auditors
on Internal Control Required by SEC Rule 17a-5
of the Securities Exchange Act of 1934**

The Board of Directors and Member of
Stern Capital LLC

In planning and performing our audit of the consolidated financial statements of Stern Capital LLC and Subsidiary (the "Company"), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use by the Board of Directors management, the SEC, Financial Industry Regulatory Authority ("FINRA") and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specified parties.

Manf. Lange Retirement LLP

New York, New York
February 12, 2008

END